

Markets This Week Ahead of the Open

Key Takeaways

- The Iranian conflict remains unresolved, with tensions continuing to rise around the Strait of Hormuz
 - Resilient corporate earnings allowed investors to overlook rising geopolitical tensions
 - Tech stocks continued to drive the rally, especially after Intel's strong first quarter
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This past week, equities and broader market indices continued to advance, following the prior week's trend. While markets may have risen, the journey was all but straight, as the Iranian conflict continued to experience new developments and rising tensions. Despite continued escalations, investors largely looked past these developments.

To start the week, Iran announced it would be closing the Strait once again in response to the U. S's naval blockade. Shortly after this announcement, President Trump announced that an Iranian vessel had been seized by the Navy. Markets took negatively to these developments, as broad-market indexes fell, while yields and oil pushed higher. It is important to note, however, that this move was short-lived. The Iranian conflict has been ongoing for almost two months, and up until the announcement of a ceasefire sentiment remained negative. Only after was sentiment able to turn around, and since then it's been hard to stop. Investors have become accustomed to this on and off cycle going on between Iran and the U.S, and have effectively started muting all the noise. Focus has once again shifted towards corporate earnings and fundamentals, and has continued to remain the central theme with earnings ongoing.

Throughout this week many notable names reported earnings such as Tesla, Qualcomm, and Procter and Gamble. This list of names also includes Intel, which had the strongest market reaction to its report out of them all. Shares rose 25% following the company's Q1 report, in which EPS significantly beat analyst expectations (\$0.29 vs. \$0.01) and the company provided a strong outlook. This reaction wasn't marginalized either, as it was spread throughout many tech names, especially AMD. Shares of the semiconductor company had already risen 10% to start the week, and gained an additional 14% following Intel's report. Analysts across the street believed Intel's recent results reinforced strong AI tailwinds, and growing CPU demand, an area in which AMD primarily operates in. Alongside AMD, many other semiconductor names such as Micron, AVGO, and Nvidia have also seen a strong month following heightened investor rotation into semiconductors. Outside of individual sectors, broad-market indexes across the board had also risen.

Going into the week, similar to last, markets are again faced with another development within the Middle-Eastern conflict. This time around, the two countries had planned on meeting in Islamabad on Sunday, however when the time came it was only Iran that had shown up. This development, which signals a divergence in how both countries intend to approach a resolution, was met negatively by investors, with S&P futures declining at the beginning of Sunday's trading session. While negative sentiment has returned, chances are it's not here to

stay. As mentioned before, markets have become accustomed to the volatility of U.S.-Iranian relations, and have become extremely strong at muting out the noise. Rather focus remains on the fundamentals, which this past week have been strong in some areas. The risk-off episode that had been prevalent during the first month of the war is almost gone at this point, with the only contractions occurring in response to short-term developments. Optimism has returned and persisted, despite what would otherwise suggest reasons for caution. Moving forward it seems as if markets are set to continue this rally, and look ahead of any ongoing geopolitical concerns.